THE MEDICARE MODERNIZATION
AND PRESCRIPTION DRUG ACT OF 2002 (H.R. 4954)

***Summary*:** During the week of 17 June, the Committees on Ways and Means and Energy and Commerce reported similar versions of the Medicare Modernization and Prescription Drug Act of 2002, H.R. 4954. The bill establishes a prescription drug benefit in Medicare, makes adjustments to Medicare provider payment levels, and modernizes the Medicare Program. The drug benefit accounts for most of the cost of the legislation, but the bill also contains substantial payment increases for Medicare providers, including rural health care providers. The modernization provisions in the bill include a Medicare+ Choice competition program, regulatory reform, and endorsement of the President's prescription drug discount card.

***Cost of the Legislation*:** The bill as amended by the rule, H.Res. 465, would increase direct spending – spending not subject to appropriations – by $5.0 billion in fiscal year 2003 and $349.2 billion over the next 10 years.

***Legislation Compared With the Budget Resolution*:**
Section 231(d) of the budget resolution (H.Con.Res. 353) creates a separate 10-year 302(a) allocation for legislation "that provides a prescription drug benefit and modernizes Medicare," and makes various adjustments in the Medicare Program. Furthermore, section 202 of that resolution permits the Chairman of the Budget Committee to increase this allocation by $5 billion in fiscal year 2003 and $350 billion over 10 years for such legislation. (Though the budget resolution generally covers a 5-year period, 2003-2007, it specifies that this legislation would be scored over 10 years.) The Medicare Modernization and Prescription Drug Act, H.R. 4954, fulfills the requirements of this reserve fund because it establishes a prescription drug benefit in Medicare, adjusts certain payments under Parts A, B, and C of Medicare, and makes various regulatory reforms. As

reported by the Committee on Ways and Means, and modified by the rule, the bill will increase new budget authority by $4.65 billion in fiscal year 2003 and $347.27 billion over 10 years for the purpose of the Medicare reserve fund.

Because the legislation fulfills the parameters of the reserve fund, the Budget Committee Chairman – pursuant to his authority under the Budget Act and the budget resolution – will increase the special allocation to accommodate those costs.

***Compliance With the Budget Act*:** As noted above, though the budget resolution currently in force generally covers the 5-year period from 2003 through 2007, it specifies that this bill will be scored over a 10-year period instead. Because the cost of the bill is within the $350 billion level provided for in the budget resolution, spending points of order under sections 302(f) and 311 of the Budget Act will not apply. Section 302(f) prohibits the consideration of legislation that exceeds the allocation to a committee or committees. Section 311 prohibits the consideration of legislation that exceeds the spending aggregates of the budget resolution. Nor will any other Budget Act points of order apply.

***Compliance With PAYGO*:** Pay-as-you-go [PAYGO] applies to all entitlement and tax legislation enacted before 30 September 2002. Unless such legislation is offset, it may cause a sequester as late as 2006. As noted above, H.R. 4954 increases direct spending by $5.0 billion in fiscal year 2003 and by $349.2 billion through 2012. H.Con.Res. 353 provides a direct spending allocation for this purpose. The Budget Committee will prepare language directing the Office of Management and Budget to avert any sequester that might occur due to this increase in direct spending.

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